

Total State Revenues

2000-01 (In Billions)

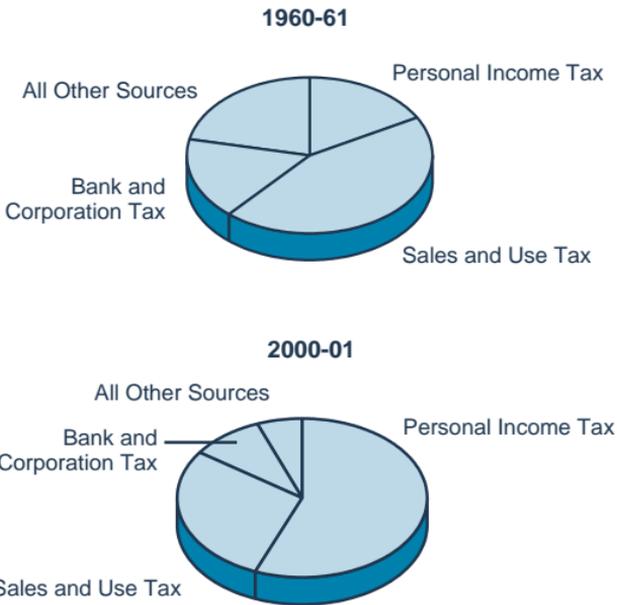
General Fund Revenues	Total State Revenues \$90.4 Billion	Special Funds Revenues
Personal Income Tax \$41.3		Motor Vehicle-Related Levies \$8.4
Sales and Use Tax 21.3		Sales and Use Tax ^a 2.9
Bank and Corporation Tax 6.8		Tobacco-Related Taxes 1.1
All Other ^b 4.5		All Other ^b 4.1
Total \$73.9		Total \$16.5

^a Consists of amounts for Local Revenue Fund and transportation-related purposes. Excludes \$2.2 billion allocated to Local Public Safety Fund, which is not shown in the budget totals.

^b Includes transfers and loans.

- General Fund revenues account for over 80 percent of total state revenues.
- Personal income taxes are the largest single revenue source, accounting for 56 percent of General Fund revenues and 46 percent of total revenues.
- Sales and use taxes and bank and corporation taxes are the second and third largest General Fund sources, accounting for 29 percent and 9 percent, respectively.
- Special funds are used for specific purposes, with motor vehicle-related levies the largest component.

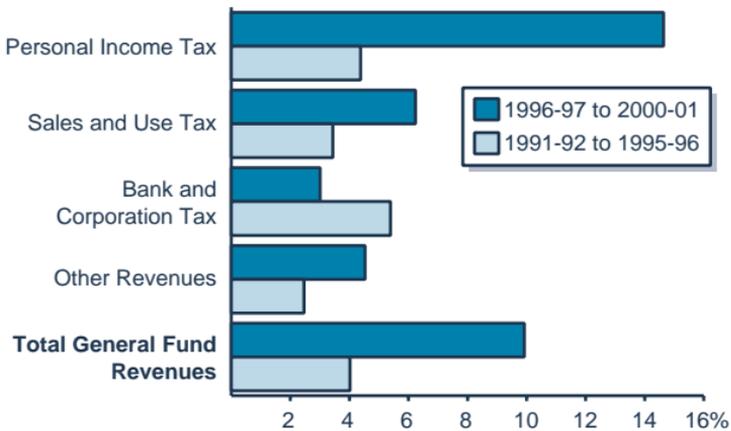
The Composition of Revenues Has Changed Over Time



- Over the past four decades the importance of the personal income tax has increased dramatically—rising from 17 percent of General Fund revenues in 1960-61 to 56 percent in 2000-01.
- This growth is due to healthy growth in real incomes, the state's progressive tax rate structure, and increased capital gains.

Income Taxes Have Surged In Recent Years

Average Annual Percentage Growth, By Source

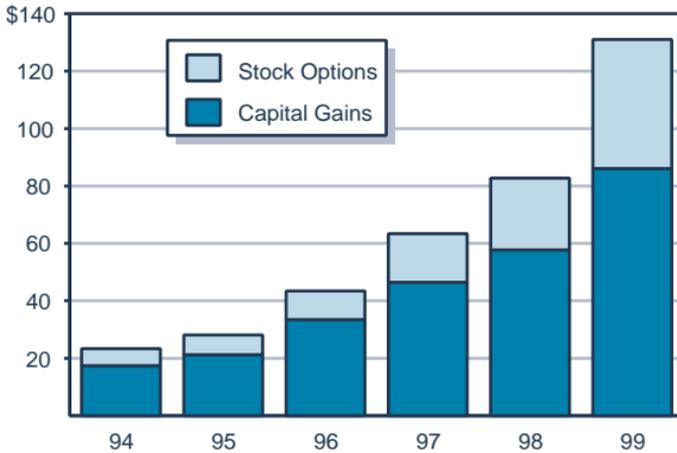


- Compared to the first half of the 1990s, General Fund revenues have grown relatively rapidly in the past five years.
- The strongest performer in the latter 1990s has been the personal income tax, which grew more than three times faster than it did in the first half of the decade.
- Recently, income tax growth has averaged over 25 percent annually, largely due to strong capital gains realizations.
- Other revenue sources have shown more restrained growth in the latter half of the 1990s. In fact, for corporation taxes, average annual percentage growth was below that of the first half of the 1990s.

Capital Gains and Stock-Option Income Have Increased Dramatically

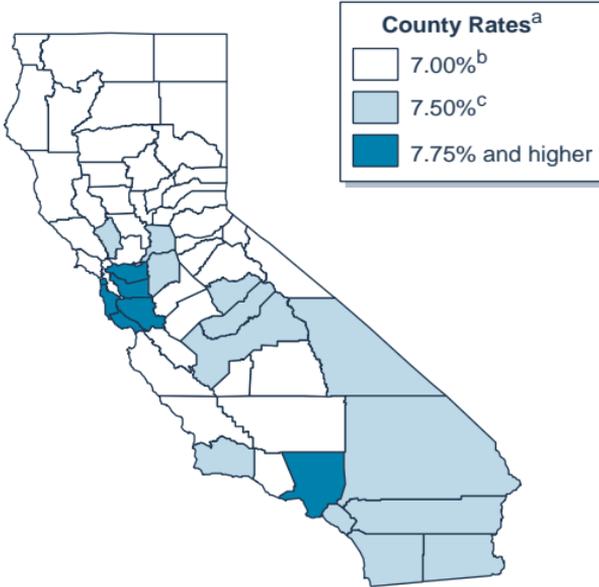
Income Reported on California Tax Returns

(In Billions)



- California's taxable capital gains and stock-option income were relatively flat during the first half of the 1990s.
- From 1994 to 1999, however, they exploded—their combined total rising from \$22 billion to over \$130 billion. This largely reflects the strong stock market.
- These increases have boosted income tax revenues, especially since capital gains and stock-option income accrue disproportionately to high-income taxpayers who pay higher-than-average marginal income tax rates.

Sales Tax Rates Vary by County



^aReflects 0.25 percent reduction in state portion of rate for the 2001 calendar year.

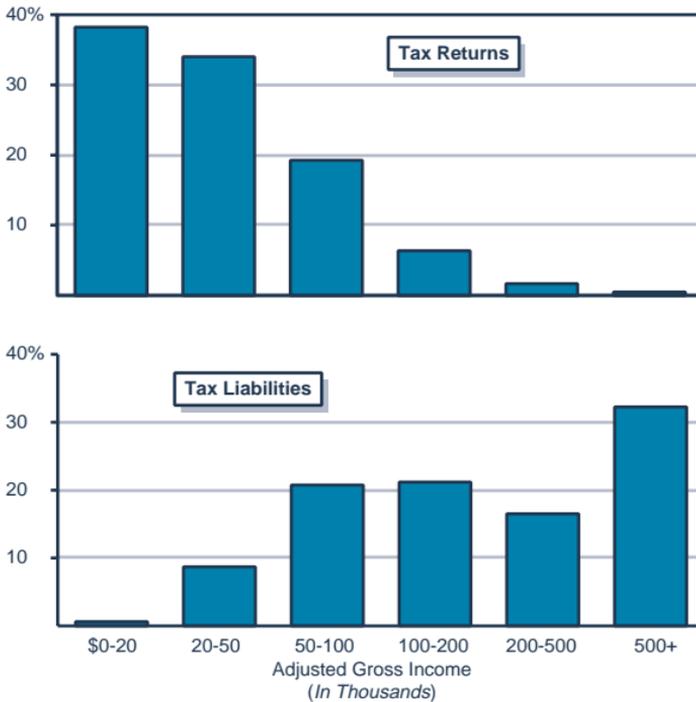
^bIncludes Stanislaus, Nevada, and Solano (7.125%), and Sonoma (7.25%).

^cIncludes Fresno (7.625%).

- Sales taxes vary from county to county, because of the optional sales taxes that counties can choose to levy.
- Sales tax rates can vary within a county as well, to the extent cities and/or special districts adopt additional optional taxes.
- County sales tax rates range from 7 percent in counties with no optional taxes, to 8.25 percent for the City and County of San Francisco. The statewide average county rate (weighted by sales) is about 7.7 percent.

Distribution of Income Tax Returns and Liabilities by Income

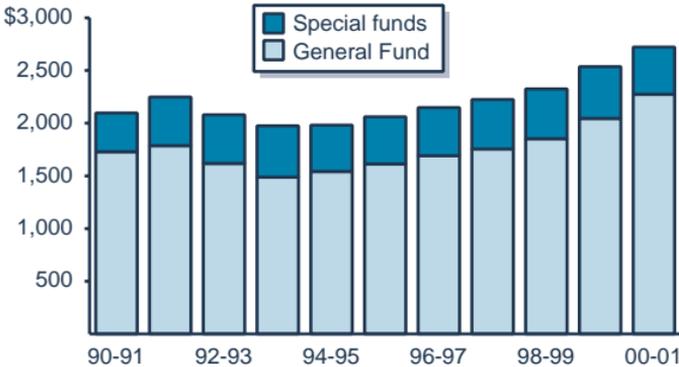
1998



- California has a highly progressive personal income tax structure—that is, taxes as a percent of income rise as one's income increases. Marginal personal income tax rates range from 1 percent to 9.3 percent.
- Taxpayers with income over \$500,000 account for less than 0.5 percent of returns, but almost one-third of tax liabilities. In contrast, those with incomes under \$20,000 represent roughly 40 percent of returns, but less than 1 percent of liabilities.

State Spending Has Been Trending Upward

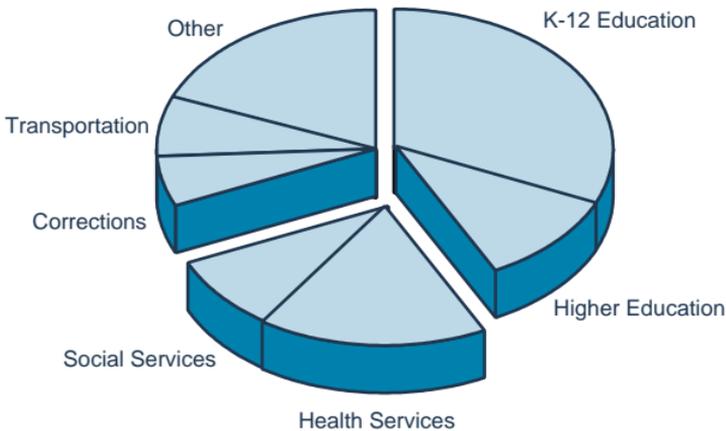
Real Per Capita Spending (2000-01 Dollars)



- For 2000-01, real (that is, inflation-adjusted) per capita state spending will be \$2,723.
- This spending declined in the early 1990s due to the recession.
- Since then, however, real per capita spending has grown relatively rapidly—averaging nearly 5.5 percent for all spending and 6.7 percent for General Fund spending.
- This increased spending has been supported by the strong revenue performance associated with the current economic expansion.

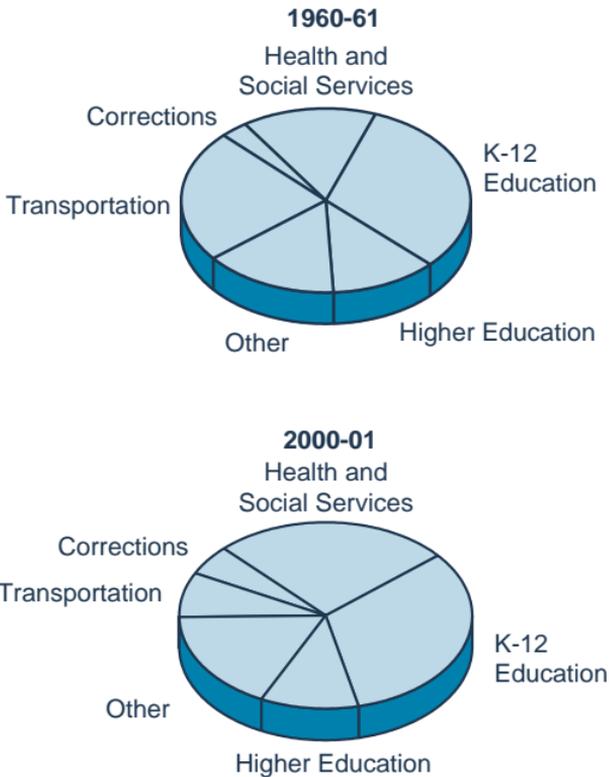
Education and Health and Social Services Dominate Spending

2000-01



- Together, education and health and social services account for 69 percent of total state spending in 2000-01.
- Education's share of total spending is about 43 percent (\$40.8 billion). Its share of General Fund spending is higher—around 51 percent.
- Health and social services represent the next largest share of total spending at 26 percent (\$24.5 billion).

The Mix of State Expenditures Has Shifted



- The composition of state spending has evolved over time, with the most striking changes being the growth in health and social services programs and the decline in capital outlay in such areas as transportation.
- K-12 education also has grown, and remains the largest program area accounting for almost a third of total spending.
- The shares for other areas of the budget, including higher education, have not dramatically changed.

Annual Cost Per Participant Varies Widely Among Major Programs

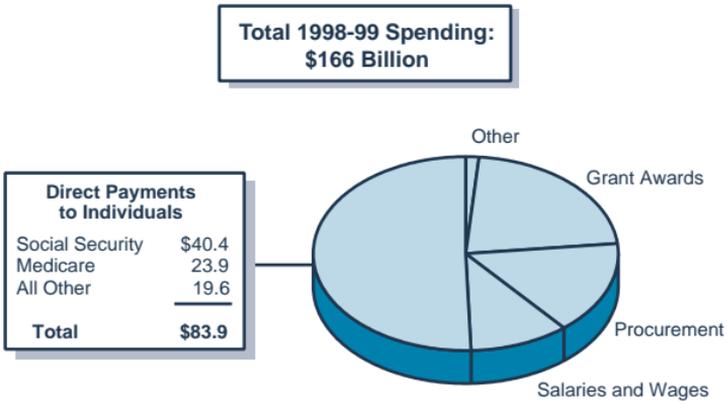
2000-01

	Number of Participants (In Thousands)	Average Cost Per Participant	
		General Fund	Total Government
Corrections			
Prison	154	\$23,136	\$23,136
Youth Authority	7	41,000	41,000
Education—Students^a			
K-12	5,682	\$5,332	\$7,680
UC	171	18,794	18,794
CSU	292	8,470	8,470
Community Colleges	1,025	2,623	4,264
Health and Social Services—Beneficiaries			
Medi-Cal	5,390	\$1,347	\$2,833
Healthy Families	500	407	1,140
CalWORKs	1,491	1,736	4,392
SSI/SSP	1,094	2,420	6,296
Foster Care	83	4,745	18,249
Developmental Centers	4	99,133	171,260

^a Does not include federal funds or lottery funds.

- The costs shown are average amounts. The range of individual costs is especially large in the Medi-Cal program. For example, children can cost around \$700 a year, while disabled nursing home patients cost about \$63,000 annually.

Most Federal Spending Occurs Outside the State Budget



- About half of all federal spending in California is for direct payments to individuals, with nearly 80 percent of this amount for Social Security and Medicare.
- About 20 percent (\$34 billion) flowed through the state budget to support state programs. Most of these monies are reflected in the "Grant Awards" category in the chart.
- Health and social services spending comprises roughly two-thirds of the federal spending that passes through the state budget.

